Neighborhood Planning for Community Revitalization

MCDA AND SINGLE-FAMILY HOUSING DEVELOPMENT IN MINNEAPOLIS: REPORT TO THE UNITED NEIGHBORHOODS COALITION

A CONSORTIUM PROJECT OF: Augsburg College; College of St. Catherine; Hamline University; Higher Education Consortium for Urban Affairs; Macalester College; Metropolitan State University; Minneapolis Community College; Minneapolis Neighborhood Revitalization Program; University of Minnesota (Center for Urban and Regional Affairs; Children, Youth and Family Consortium; Minnesota Extension Service); University of St. Thomas; and Minneapolis community and neighborhood representatives.

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Prepared by
Stuart Alger
Stevens Square, Central, Jordan, Phillips, Whittier, and Elliott Park Neighborhoods
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NPCR
330 Hubert H. Humphrey Center
301 - 19th Avenue South
Minneapolis, MN 55455

phone: 612/625-1020
e-mail: npcr@freenet.msp.mn.us

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This paper provides information and analysis of public sector single-family housing development and redevelopment in Minneapolis. It is not inclusive of all public sector single-family housing efforts, but focuses particularly on the role and function of the Minneapolis Community Development Agency (MCDA). The genesis of this research was a shared concern among core Minneapolis neighborhoods that policies, and the process for reaching them, at MCDA fails to reflect their needs and interests in single-family housing. Residents and their neighborhood association staff feel their input is neither sought nor given much weight at crucial points in MCDA's decision-making process. Official requests for neighborhood input, it seems, come well after the point where MCDA makes its decisions. Moreover, there is widespread feeling that MCDA is somewhat arbitrary in the way in which it applies its rules. Because MCDA has great power to influence the flow of public investment in the city, the neighborhoods who initiated this study were eager to know how they could interact more effectively with the Agency. Toward that end, they sought to know who makes key decisions at MCDA, when key decisions are they made, and what criteria are used to make them. This report provides such information, as well as information on how property and funds flow into and out of MCDA.

Overview: MCDA Structure and Housing Vision

In 1980, the state of Minnesota by law empowered the City of Minneapolis to establish a new redevelopment authority (see Laws of Minnesota, 1980, Chapter 595). Chapter 595 gave the Minneapolis City Council authority to establish the structure of the new agency, transfer employees into the agency, establish procedures for citizen input, levy taxes to support the agency, and pledge the full faith and credit of the city for the repayment of its bonds. Subsequently, the City Council established the Minneapolis Community Development Agency (MCDA), setting out its powers, limitations, and structure (see Minneapolis Code of Ordinances, Chapter 422). Besides the authority originally granted to it, MCDA has powers derived from state laws regarding housing and redevelopment authorities generally (see Minnesota Statutes, Chapter 469) and other state laws. The state legislature has revised the original MCDA charter many times over the last 15 years.

Citizen participation was a clear concern among the drafters of the 1980 legislation. Among its provisions, the original charter states that "[a]n advisory role for citizens, including project area residents and other affected persons, if any, must be provided in all stages of the activities of the agency or department, including policy establishment and implementation, assessment of performance and policy amendment" (Laws of Minnesota, 1980, Chapter 595,Sec. 2, Subd. 2(b).). The language regarding citizen participation the City Code borrows the language of the state statute and adds other provisions, including the direct funding of citizen organization and advocacy. A Citizen's Participation branch was added to the Operations Division of MCDA, and it is now headed by Robert Cooper. A large part of their work has been helping neighborhoods write and implement their Neighborhood Revitalization Program (NRP) plans.

MCDA is divided into three divisions :Operations; Economic Development; and Housing, each headed by a director. Director of Housing, Jerrold Boardman, oversees the operation of three sub-divisions: Housing Development headed by Earl Pettiford, Residential Finance headed by Larry Walker, and Special Projects/IPM (maintenance, etc.) headed by Carter Johnson. Residential Finance is the largest unit at MCDA. The Directors report to Rebecca Ionic, Executive Director of MCDA. (See Appendix for MCDA's organizational chart.)

Table 1: Staff Size at MCDA

Total full-time Equivalent	**165**
Operations	35*
Economic Development	45*
Housing	85*
Source: MCDA Human Relations	*approximations

Within Housing, day-to-day operational decisions are managed by Earl Pettiford. Mr. Boardman views his role as primarily one of policy maker, leaving Mr. Pettiford responsible largely for policy implementation. Past employees, observers and clients of MCDA interviewed for this project all viewed Mr. Pettiford as a key decision-maker at MCDA with regard to housing issues. He has worked many years at MCDA and is considered to have a great amount of discretion in carrying out day-to-day operations. His staff is divided into geographical areas, and, according to Mr. Pettiford, he generally works collaboratively with them to reach decisions. (Interview, 7/8/97)

MCDA is governed ultimately by the Minneapolis City Council acting as the Board of Governors of MCDA. MCDA's predecessor, MHRA, was governed by a citizen's board, and there were many disputes between the citizen's board and the city council. Within five years after MCDA was formed, the city council became the MCDA Board of Governors.

While the full City Council is the formal governing body of the MCDA, in practice most decisions are made at the committee level. Most MCDA decisions that require Board action are decided by the Operating Committee of the MCDA.

Table 2: MCDA Operating Committee

Jim Inland, Chair	
Joe Beirut	**Doer Mead**
Brian Heron	**Pat Scott**
Lisa McDonald	

The Operating Committee approves land sales and acquisitions, MCDA bond issues, eminent domain issues, etc. Decisions to demolish or rehabilitate houses are typically not made at this level, nor do programmatic decisions seem to be made here. Some MCDA-related issues are resolved by the standing committee on Community Development. This committee has the same membership as the Operating Committee, and it usually meets immediately before the Operating Committee meeting. Sometimes both committees will hold joint public hearings over land sales. A large part of the Community Development agenda consists of approving neighborhood NRP plans and expenditures made by the county and school board of their "7.5%" NRP funds. Both Committees typically meet the second and fourth Mondays of the month. Minutes are kept and are available to the public. Committee decisions are then formally approved at the next meeting of the full City Council, but further discussion does not usually take place at that time.

According to one observer, the primary purpose of MCDA is to increase the city's tax base, which may or may not serve the neighborhoods.(Interview with George Garnett) This view is corroborated by Jerry Boardman, Director of Housing at MCDA. In terms of policy, Mr. Boardman sees housing as complementary to economic development. The first and most important objective of the housing program is to maintain city-wide property value, maintains Boardman. From the city's perspective, housing is the basis of property value and property value is the basis for city services. The city cannot afford to let its housing stock deteriorate. (Boardman Interview, 7/8/97) In large part, MCDA seeks to support and boost property values by attracting private investors, developers and home-buyers, into the city. In June, 1997, Boardman sought approval from the MCDA's Board of Directors for a new market building strategy and a new Rehabilitation Support Program (RSP) to support it. The theory behind RSP is that rebuilding markets in selected treatment areas, i.e. areas adjacent to those with stable or rising market values, will be most cost-effective in attracting private investment. (As a side note, this new program is a clear departure from MCDA's standing policy of taking care of the worst of the worst houses.) In any case, the intent is to attract private investment with selective rehabilitation's. ("Report to the Commissioners", MCDA, June 30, 1997.)

Four Case Studies: The Neighborhoods Meet MCDA

Before turning to the formal procedures and programs of MCDA's Housing Division, the following four case studies offer illustrative examples of the ways in which neighborhoods encounter difficulties in working with MCDA.

A. Central Neighborhood Case Study

3328 Clinton Avenue South lies in the Central neighborhood. On April 30, 1996 the Central Neighborhood Improvement Association (CNIA) received a letter from MCDA stating that MCDA was in the process of purchasing two (2) houses from the Minneapolis Public Housing Authority (MPHA), one of which was 3328 Clinton. MCDA estimated that the cost of rehabilitating the property would reach $105,750, which was more than the estimated market value of the house after rehabilitation. "Therefore", the letter concludes, "MCDA plans to demolish the structures after they are purchased from MPHA. Then the vacant lots will be marketed for the construction of a new owner-occupied, single-family house. "The tone of this letter, identical in most respects to one received a week earlier, infuriated CNIA's housing committee, which had been following these MPHA houses and had been assured by MPHA that MCDA was acquiring several of them for rehabilitation. CNIA felt that MCDA had made up its mind without the benefit of CNIA's advice.

After receiving this letter, CNIA called to request a tour of the house accompanied by MCDA staff. On May 15, 1996 CNIA staff, residents, MCDA staff, and staff from Southside Neighborhood Housing Services (SNHS) toured several MPHA properties, including 3328 Clinton. On May 23, SNHS sent a letter to CNIA recommending the rehabilitation of 3328 Clinton. On May 30, CNIA voted to reject demolition of the houses pending further review.

In June, 1996, CNIA staff, residents, MCDA staff, SNHS staff and representatives from the Mayor's office toured several of the disputed MPHA houses. SNHS came with pro formas in hand giving their estimates of the rehabilitation costs of the properties. Total development costs for 3328 Clinton were estimated at $65,985. Discussion arose over the varying rehabilitation estimates, with disputes arising particularly over whether it was necessary to completely gut the inside walls and redash (completely recover) the exterior stucco. MCDA felt it was necessary, SNHS felt it was not. SNHS consulted with a plaster contractor who advised them that freezing in itself does not necessarily cause a plaster wall to lose its key. A rapid freezing/thawing cycle, which causes moisture in the plaster to expand and contract quickly, can compromise a plaster wall, but this is not likely to happen unless a frozen house is suddenly blasted with heat.

On July 10, SNHS held a meeting with MCDA and submitted copies of its bids for the rehabilitation of the MPHA houses. Earl Pettiford said he would circulate SNHS' specifications among his staff, but he added he was worried about the quality of the rehabilitation SNHS proposed. Soon after, CNIA voted to recommend rehabilitation of the house and asked MCDA to sell the house to SNHS for that purpose.

In August, 1996, Earl Pettiford requested revised specifications from SNHS so that MCDA might begin the process of conveying the properties to SNHS. More tours took place in November, where SNHS and MCDA staff further negotiated the rehabilitation specifications for the houses. In January, 1997, SNHS delivered offers to purchase the MPHA houses to MCDA. MCDA told SNHS the purchase agreement would go before its Board for approval later that month, but then asked SNHS for more information which delayed the hearing until February 10. the Board approved the conveyance.

Three months later, on May 29, 1997, SNHS finally closed on the houses. As a side note, in a typical MCDA land sales contract, the purchaser does not get clear title to the property until MCDA approves the rehabilitation work. After a few more minor discussions with MCDA about the rehabilitation work, SNHS completed work at 3328 Clinton in August, 1997. The final cost of the rehabilitation came to $53,000, and a garage was built for an additional $10,000.

SNHS staffers felt there was genuine uneasiness at MCDA about the quality of SNHS' rehabilitation efforts. They say that MCDA has moved more quickly in approving subsequent projects.

B. Harrison Neighborhood Case Study

This case concerns a property at 246 Irving. It lies in the "valley" area of the Harrison neighborhood, which is significant as context because there is considerable dispute about the future use of this area as a whole. Some envision this area as a future light industrial commercial area, while others, especially members of Harrison's Housing Committee, do not want the area to lose a residential base even if it becomes more commercial in character.

An interested neighbor had been tracking activity at 246 Irving for a couple of years. The police had boarded the property the summer before. The neighbor learned there was a V.A. loan on the house and that it would likely be forfeited to the federal Housing and Urban Development Agency (HUD). She also observed that HUD was doing work to prepare the house for sale. HUD had hired an electrical contractor to repair light fixtures in the house, and the City Inspectors had been by to do a Truth-In-Housing report in March.

In May, 1997 Mick Olson, a staffer at MCDA, called the Harrison Neighborhood Association (HNA) to inform them that MCDA was interested in purchasing 246 Irving from HUD for demolition. Mr. Olson said that MCDA had done a scope of work on the house, and they estimated it would require $73,000 to rehabilitate it. This rehabilitation estimate was faxed to HNA on May 7. This amount exceeded the potential market value of the house after rehab, and, as a consequence, MCDA had elected to demolish the house. It had also decided not to put a new structure there in light of the potential commercial development in the "valley."

The HNA Housing Committee sent a letter to MCDA on May 29, stating that they did not support the demolition of 246 Irving. They asked MCDA to waive its opportunity to purchase the house, because HNA has private individuals interested in fixing it up. Barring that possibility, the Housing Committee asked MCDA to rehabilitate the house themselves. In June, 1997, Housing Committee members and Mr. Olson toured the house. According to HNA staff, Mr. Olson felt that there was little of value in the house, but under Housing Committee pressure, he agreed to take the matter back to Earl Pettiford for further review. The basic position of the Housing Committee was that they wanted housing there.

Soon thereafter, Bernie Ciurej, Director of the Home Ownership Works program at MCDA, conducted a walk-through the house. In a letter to Earl Pettiford dated June 10, he estimated that the cost to rehabilitate 246 Irving would reach $95,000. On June 12, Rebecca Yannish wrote a letter to HNA rejecting their requests and stating that MCDA would proceed to purchase and demolish the house.

Later that June, a meeting took place on the front porch of Kathy Wetzel, which this time included Earl Pettiford and Bernie Ciurej, . Mr. Pettiford stated that no new funds for new construction were available for that area of the city and funds for rehabilitation were unlikely. He said that MCDA did not want to collaborate with HNA to rehab the property. He said that he would talk to the Director of Housing at MCDA, Jerrold Boardman, about the issue, however. Meanwhile, HNA was informed that earlier MCDA estimates of the cost to rehabilitate the house had mistakenly under-stated the size of the house and that the estimated cost would be even greater.

HNA staff sent a letter to Mr. Boardman recommending three options: 1) MCDA not purchase the property from HUD; 2) MCDA rehab the property; and 3) MCDA raze the house and build a new house on the site. Mr. Pettiford called soon after to inform HNA that the three options were all denied. The Housing Committee thereupon decided to take the matter to the Board of Governors of the MCDA, and informed MCDA of its decision. Mr. Pettiford called HNA to discuss whether such a move would be necessary, and he offered to have two non-profit groups perform new scopes of work for the rehabilitation of the house. HNA agreed.

In July, new rehabilitation assessments were conducted by Project for Pride in Living (PPL) and the Northeast Residents Council (NRRC). PPL estimated $125,000 to $140,000 and NRRC estimated $125,000 to $150,000 for the rehabilitation. The disposition of the house remains undecided.

There are several issues of concern for the Harrison neighbors. First, the Harrison Housing Committee felt that it was not informed early enough of the portending sale of the house by HUD to MCDA. The Committee felt it should have known of the potential sale before MCDA had inspected the property and made a decision with regard to its disposition. This seems especially vital in light of MCDA's contention that once it agrees to purchase a house from HUD, it cannot rescind its offer. Earl Pettiford maintains that he must respond within 10 days to HUD's offer or MCDA loses its option to purchase the house first. Housing Committee members responded that they would like MCDA at least to leave a message at the HNA office that MCDA is considering a HUD house for purchase, and leave it up to the neighborhood to respond. Mr. Pettiford agreed at their June, 1997 meeting that MCDA would inform HNA staff of any new offers of HUD houses in their neighborhood. HNA has sent MCDA a list of known HUD houses in their neighborhood, which it does not want MCDA to demolish if acquired by MCDA.

Second, there is frustration with MCDA's seeming unwillingness to change "its" mind in light of new information once a decision has been made. In another Harrison case, 2041 3rd Ave. N., HNA had agreed to MCDA's decision to demolish the house, but a private party stepped forward to rehabilitate the property with private funds. MCDA would not change its position notwithstanding the new offer and in a letter to HNA provided no concrete reasons for its denial.

Third, HNA is frustrated with the lack of independent assessors/estimators of rehabilitation scopes of work. The two non-profits who provided the last estimates of the cost to rehabilitate 246 Irving receive large portions of their funding through MCDA-managed projects. HNA does not contend that the estimates were incorrect, but it feels that a conflict of interest exists and that no truly independent estimate can be given by organizations which rely heavily on MCDA programming.

C. Jordan Neighborhood Case Study

In 1994, the Jordan Area Community Council (JACC), MCDA and Northside Neighborhood Housing Services (NNHS) agreed to enter into a partnership called the Jordan Redevelopment Program. This program was part of Jordan's NRP plan and it entailed essentially the earmarking of $250,000 of Jordan's NRP funds to major housing rehabilitation projects in Jordan. NNHS joined as the developer, since JACC did not have the capacity to develop properties itself. A maximum of $55,000 in gap financing was established, and rehabilitation standards specific to these projects were agreed upon by the parties. To date, only two (2) houses have been rehabilitated under this partnership.

Jordan residents maintain that MCDA has stymied their efforts to carry out these rehabilitation projects. The case of 1545 Hillside illustrates their argument. 1545 Hillside is a duplex and in 1996 was a vacant and boarded property. In August, 1996 Northside Neighborhood Housing Services opened the property to contractors for walk-throughs and made a Request for Proposals for Scope of Work bids by the contractors. The project was awarded to Albert Construction, which made a winning bid of $94,000. MCDA owned the property, however, and before NNHS could take over as developer of the project, title of the property had to be transferred to NNHS. This required action from the MCDA's Board of Governors (the MCDA Operating Committee of the City Council) and the full City Council. The issue was not brought before the City Council that fall or winter.

In early Spring 1997, NNHS contacted Albert Construction to inquire whether it remained interested in the project. Albert Construction responded that it was interested, but it raised the bid 15% to $112,000. Given the rise in Albert Construction's estimate and MCDA concerns, NNHS ordered a second bid. The lowest bid the second time through came in at $109,000. After this second bid process, MCDA inspection staffers toured 1545 Hillside and had asked that more items be added to the Scope of Work. Most significantly, some of the concrete overlay over the limestone foundation was loose, and MCDA asked that an engineer be brought in to determine the cost of rehabilitating the basement. After six weeks of waiting for an inspection and report, the engineer reported that it would cost a minimum of $25,000 to do structural work to the basement and foundation. None of the seven contractors who toured the house the second time had felt that such work was necessary.

Jordan residents complain that the piecemeal approach to requests for addition rehabilitation items slows the process unnecessarily and adds significantly to the cost of the project. Such slowdowns increase the likelihood that the property will be vandalized and otherwise deteriorate, making demolition necessary by default.

D. Whittier Neighborhood Case Study

In June, 1996, a private party discovered a condemned house in the Whittier neighborhood and inquired with MCDA about its disposition. MCDA informed this person that it wished to demolish the house. Further inquiries with the Whittier Alliance revealed that the neighborhood did not wish the house demolished, because it feared that an alley might be constructed in its place.

After visiting the house several times, the private party decided that he wished to rehabilitate it using his own money. The house had been vacant for several years, but seven years ago $85,000 had been spent for its rehabilitation, most of the money coming from public funds. According to this private party, MCDA has been reluctant to sell him the house, telling him at different times that they did not want to sink more money into the house and that they did not want a private individual making a profit off of earlier MCDA investment.

MCDA informed the party that the house required a new foundation. He could, however, seek a waiver, which would require a structural engineer to certify that the foundation was sound. The party went through a 10-step process, including a petition to the City Council, and after two to three months received a waiver for a new foundation. To protect his investment in the engineer's report, the party requested that the waiver be granted only to himself.

MCDA continued to argue that the building was not salvageable, but based on his own estimates of the rehab costs and the market potential of the building, together with the informal opinions of the city's building inspectors, the party pursued the acquisition of the property for rehabilitation. He estimated that the rehab would cost between $30-40,000, while MCDA estimated that the cost would be twice that amount.

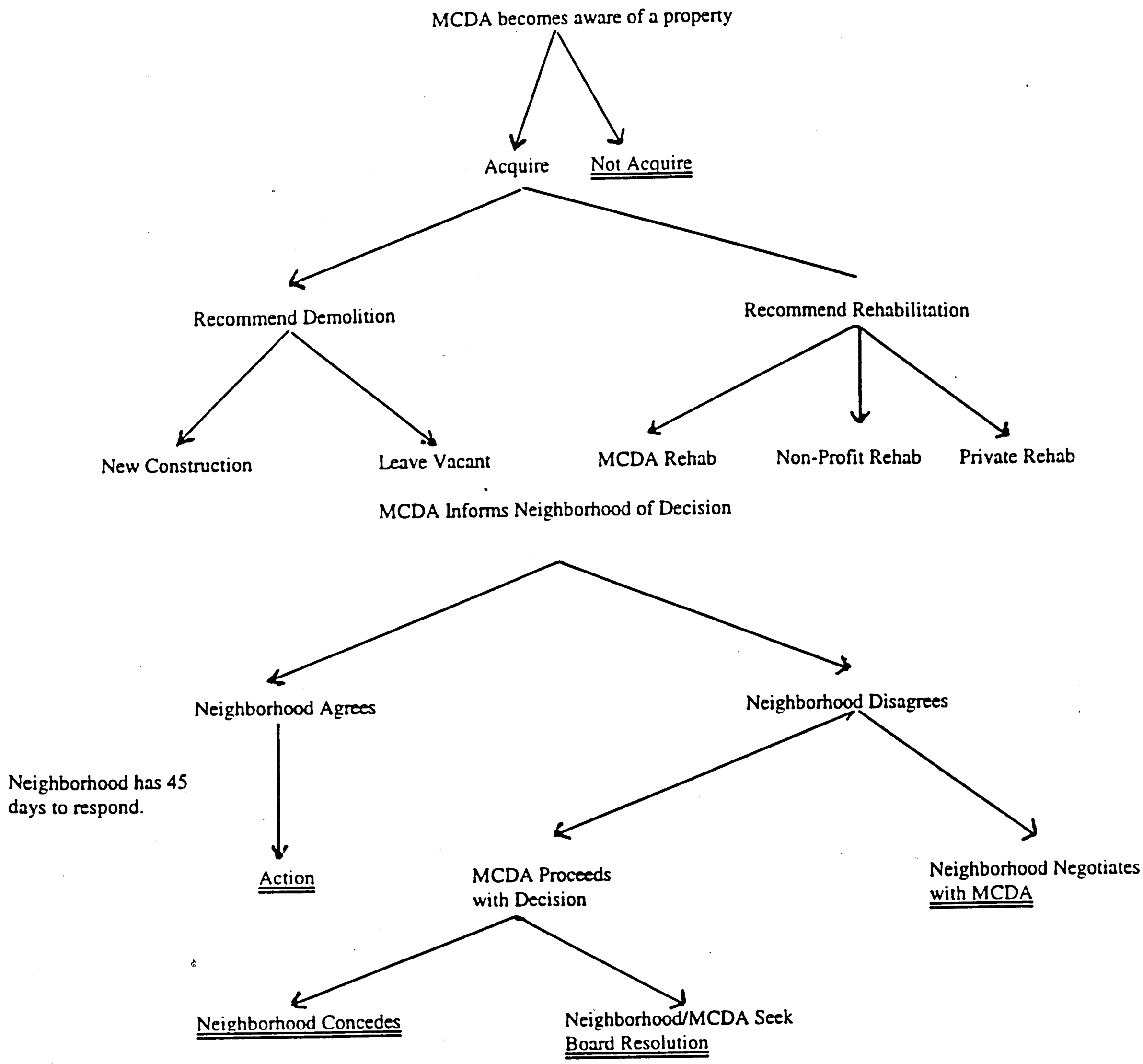
In June, 1997, MCDA relented and opened the house to bids for purchase and rehabilitation. MCDA was not forthcoming with information about when the request for proposals (RFP) would be publicized, complains the private party, and finally informed him incorrectly about when it would be publicized. the party did find the publicized RFP, however, and requested the necessary form. Since then he has worked through the MCDA form line-by-line with MCDA staff to discuss their reasoning and expectations for their rehabilitation orders.

The deadline for bids was August 28, 1997, after which the bidders made formal presentations to MCDA.

With the exception of staffers who work in the field, the private party feels he met consistently with inappropriate and unprofessional behavior on the part of MCDA staff. He complains that MCDA treated him with condescension and lied to him outright about returning his phone calls. He came away from his conversations with MCDA feeling that he was regarded as a nuisance by them.

The Decision-Making Process

FIGURE 1: FLOWCHART OF SINGLE-FAMILY HOUSING DECISION-MAKING PROCESS: MCDA AND NEIGHBORHOODS



A. Narrative of decision-making process

1. MCDA Becomes Aware of a Property

According to Jerrold Boardman, Director of the Housing Division at MCDA, MCDA is an opportunist when it comes to housing. MCDA works with houses as it becomes aware of them. It is MCDA's policy to work with the housing that the private housing development market will not touch, primarily dilapidated and vacant housing in blighted areas of the city. Most houses become available to MCDA after they are vacant and boarded.

There are many ways in which MCDA might become aware of a property, including a neighborhood or individual resident alerting MCDA of a property, often a problem property, and asking that MCDA acquire and demolish the house. Residents and neighborhood staffers alike noted that MCDA is adept at acquiring and demolishing houses. Other than irregular notice from residents, neighborhoods and its own staff, there are three regular channels of information through which MCDA becomes aware of properties: 1) City of Minneapolis Department of Inspections; 2) Hennepin County Tax Foreclosure Department; and 3) U.S. Housing and Urban Development (HUD) agency.

a. City of Minneapolis Department of Inspections 249 List
contact: Lynn Ogren, Inspector; 673.5862

The "249 List" is a list of boarded houses kept by the Department of Inspections. When a building is found, Inspections sends a 60-day notice to the owners of the building to remove the boards and bring the building up to City Housing Maintenance Code standards. A boarded building is one with 3 or more boards on the building, excluding boards on the basement windows.

If a building is found vacant but secure or is found vacant and is then secured within six days, Inspections takes no further action. Inspections has some authority to take action on a building that has been vacant and secure for over 6 months, but at present Inspections finds the language of the ordinance giving them such authority too vague and consequently does not use this authority. As a side note, MCDA could acquire the building through condemnation or eminent domain. If a building is condemned, vacated and secure from trespass, it will not go on the 249 list. According to Lynn Ogren of Inspections, however, a building that is condemned and not boarded is broken into 99% of the time. In most cases, it is subsequently boarded. If after a specified amount of time Inspections boards a building, the property is immediately placed on the 249 list.

Once a building is on the list, the owner has another 60 days to take action on the building before Inspections will begin the process for demolition. Once on the 249 list, the building is condemned as a boarded building and it must meet full code compliance before it is reinhabited. If condemned, a building is inspected by Inspections and a $300 fee is attached to the property. Orders are written by the various construction areas (e.g. electrical, plumbing). To have the required repairs/replacements made to the building, the owner must place a $2,000 deposit with Inspections to be reimbursed once the rehabilitation is completed in a scheduled period of time. The work must be done by licensed contractors, but it can be up to the owner whether to repair or replace certain items.

If no action is taken by the owner of the building within 60 days after the building is placed on the 249 list, Inspections can begin the "249 Process." Usually this process ends in demolition, but it begins with Inspection carrying out a rehabilitation assessment. According to Lynn Ogren, 70-75% of buildings are either definite demolition or definite rehabilitation. the other 30-35% of buildings are "in-betweens." These houses may have a nice layout and large rooms but need a lot of work or may need little work but have a poor layout. In any case, MCDA is asked to do a market analysis of the property (which is signed by Earl Pettiford and is turned around in about a week), and Planning is asked to identify any zoning or historical preservation issues. If the house will cost more to rehabilitation than its potential market value, Inspections will usually recommend demolition. At any point in this process, MCDA may negotiate to purchase the property to either rehab or demolish it with its own resources. If MCDA plans to demolish it takes them 120 days to go through the demolition bidding process.

Inspections cannot move on any building that is in foreclosure until the redemption period is over. This period might last anywhere from 5 weeks to a year. If the house will be foreclosed to HUD or the VA, Inspections will not take any further action or track the house, because there are some unresolved disputes over federal versus local jurisdiction. MCDA may acquire the building from the federal government, allowing the 249 process can proceed.

If Inspections recommends demolition, notices are sent to the appropriate neighborhood organization for approval. As of 1995, neighborhoods are required to cover one-half of the cost of demolition (average cost of demolition is $8,000) with their NRP funds. If a neighborhood does not have NRP funds, demolitions will not occur unless it is an emergency situation. According to Ogren, after the spate of demolitions in the early 1990's, Inspections overspent its demolition budget. Inspections went to MCDA for support, and eventually MCDA asked the neighborhoods to pay out of their NRP funds. If the neighborhood gives its approval, the issue moves on to the Public Safety and Regulatory Services Committee. If the demo is approved at the committee and full city council levels, Inspections will request bids for demolition. After bids are requested, the house will typically be demolished in 60-90 days.

The cost of the demolition is assessed to the property, but Inspections does not acquire the property. Very often the owner will quit paying property taxes and the property will be forfeited to the State (county) for back taxes (see following page). In this scenario, MCDA will have first chance to acquire the property.

Table 3: 'Action' on 249-Listed Houses in Selected Neighborhoods: 1993-1997

Except in "total" cells, the numbers in the cells represent the following:
"the number of properties receiving that action / the number of properties receiving that action as a percentage of all actions inthat neighborhood that year."

ACTION CODE	NEIGHBORHOOD ABBREVIATIONS
91 = Demolition City	CEN = CENTRAL
92 = Demolition MCDA	EPRK = ELLIOT PARK
93 = Demolition Private	HAR = HARRISON
95 = Rehabilitation MCDA	JORD = JORDAN
96 = Rehabilitation Private	LYN = LYNDALE
	NNO = NEAR-NORTH
	PHIL = PHILLIPS
	WHT = WHITTIER
	W-H = WILLARD-HAY

1993	CEN	JORD	LYN	NNO	PHIL	W-H	HAR	EPRK	WHT		TOTAL /ROW (as % of Total)
TOTAL	**20**	**12**	**6**	**12**	**32**	**20**	**2**	**0**	**12**		**116**
91	7/.35	3/.25	3/.50	2/.16	13/.41	9/.45	1/.50		8/.67		46/.40
92	2/.10	2/.16	1/.17	1/.08	10/.31	1/.20	0		0		20/.17
93											0
95	2/.10	0	0	2/.16	1/.03	3/.15	0		3/.25		9/.08
96	9/.45	7/.58	2/.33	7/.58	8/.25	4/.20	1/.50		1./.08		39/.34

1994	CEN	JORD	LYN	NNO	PHIL	W-H	HAR	EPRK	WHT		TOTAL /ROW (as % of Total)
TOTAL	**29**	**29**	**7**	**12**	**43**	**31**	**14**	**1**	**16**		**182**
91	11/.38	15/.52	2/.29	6/.50	27/.63	12/.39	3/.21	1/1.00	6/.37		83/.45
92	5/.17	7/.24	4/.57	3/.25	10/.23	11/.35	4/.29	0	3/.19		47/.26
93	0	2/.07	1/.14	0	1/.02	1/.03		0	0		5/.03
95	0	0	0	1/.08	0	1/.03		0	0		5/.03
96	13/.45	5/.17	0	2/.16	5/.12	6/19	7/.50	0	7/.44		45/.25

Table 3: 'Action' on 249-Listed Houses in Selected Neighborhoods: 1993-1997, continued

1995	CEN	JORD	LYN	NNO	PHIL	W-H	HAR	EPRK	WHT		TOTAL /ROW (as % of Total)
TOTAL	32	31	8	11	31	24	6	0	14		157
91	3/.09	10/.32	4/.50	3/.27	11/.35	11/.46	1/.17		4/.28		47/.30
92	12/.37	14/.45	2/.25	5/.45	9/.29	6/.25	3/.50		7/.50		58/.37
93	0	0	0	0	0	1/.42	0		0		1/.006
95	2/.06	0	1/.12	0	1/.03	3/.12	1/.17		1/.07		7/.04
96	15/.47	7/.23	1/.12	3/.27	10/.32	3/.12	1/.17	0	2/.14		42/.27

1996	CEN	JORD	LYN	NNO	PHIL	W-H	HAR	EPRK	WHT		TOTAL /ROW (as % of Total)
TOTAL	14	19	3	13	28	21	7	0	7		112
91	0	8/.42	1/.33	1/.08	7/.25	6/.29	2/.29		0		25/.22
92	5/.36	10/.53	1/.33	6/.46	12/.43	8/.38	5/.71		3/.43		56/.50
93	1/.07	0	0	0	0	0	0		0		1/.008
95	3/.21	0	0	3/.23	0	2/.09	0		0		8/.07
96	5/.36	1/.05	1/.33	3/.23	9/.32	5/.24	0		4/.57		24/.21

1997 (thru July 25)	CEN	JORD	LYN	NNO	PHIL	W-H	HAR	EPRK	WHT		TOTAL /ROW (as % of Total)
TOTAL	13	20	4	5	20	9	0	2	0		73
91	2/.15	9/.45	1/.25	1/.20	8/.40	3/.34		2/1.00			25/.34
92	9/.69	6/.30	2/.50	0	11/.55	4/.44		0			32/.44
93	0	2/.10	0	1/.20	0	0		0			3/.04
95	1/.08	0	1/.25	0	0	1/.11		0			3/.04
96	1/.08	3/.15	0	3/.60	1/.05	1/.11		0			9/.12
TOTAL /COL. AS % OF TOTAL	108/.17	111/.17	28/.04	53/.08	154/.24	105/.16	29/.05	3/.01	49/.08		640

Source: City of Minneapolis Department of Inspections 249 Listings

Table 4: Percentage of different types of action on "249 List" houses in United Neighborhoods By Year: Summary

	91	92	93	95	96
1993	.40	.17	.00	.08	.34
1994	.53	.29	.03	.01	.28
1995	.30	.37	.006	.04	.27
1996	.22	.50	.009	.07	.21
1997 (through July 25)	.34	.44	.04	.04	.12

One can see from Table 2 that the percentage of demolitions by MCDA in the United Neighborhood neighborhoods has more than doubled over the past four years, while the number of rehabilitations by both MCDA and the private sector has declined by more than half.

Table 5 : Total 249 actions in Neighborhoods Outside United Neighborhoods By Year

ACTION CODE
91 = Demolition City
92 = Demolition MCDA
93 = Demolition Private
95 = Rehabilitation MCDA
96 = Rehabilitation Private

	91	92	93	95	96	TOTAL
1993	33	13	2	0	28	**76**
1994	60	19	6	0	26	**111**
1995	35	24	5	1	29	**94**
1996	22	29	5	3	25	**84**
1997 (through July 25)	11	31	2	3	11	**58**
TOTAL	**161**	**116**	**20**	**7**	**119**	**423**

Source: City of Minneapolis Department of Inspections 249 Listings

b. Hennepin County Tax-Forfeited Lands Department
contact: Jeff Strand, Director of Tax-Forfeited Lands Department; 348.3734

County foreclosure on houses for delinquent taxes begins in January. Two "Classification Lists" are then produced, one in August and another in November. The lists are sent out to various city and state agencies as well as some neighborhoods. The city has 90 days to comment on the list of houses within its borders and to recommend to the county that it either:

a) give the house to the city for redevelopment (typically for one dollar);
b) sell the house at a public auction; or
c) sell the property to adjacent owners only.

Depending on what is requested by the city, a deed is cut by the county and the property is conveyed to the new owners. According to officials at the Tax-Forfeited Lands Department, if the state wants the property for some reason, it may be able to override the wishes of the city. This is unclear. In any case, conflicts are usually worked out informally.

All requests made by the city must be approved by the City Council. In practice, the City Council may ask MCDA to make special inquiries into the disposition of particular houses, especially houses which have housed problem neighbors. (See MN Statutes 281; 282)

c. US Department of Housing and Urban Development (HUD)
contact: Cindy Behnke; Minneapolis Representative, Community Development Programs; 370.3026

HUD foreclosure typically follows default on Federal Home Administration (FHA) or Veterans Administration (VA) mortgage payments. Once HUD forecloses, the property is owned by HUD and is put into their inventory. HUD's foreclosure department produces a list of its inventory, which is freely available to the public. This list is eventually published in the newspaper, but before it is sent, MCDA staff picks up the list at HUD's office. MCDA reviews the list, and if there are any properties it wishes to obtain, MCDA informs HUD of its interest by letter and HUD pulls those properties from its list and reserves them for MCDA. After 30 days, MCDA may purchase the properties for 10% less than the listed purchase price because no real estate agent was involved.

Ordinarily, HUD's policy is that houses on their list are reserved for owner/occupant buyers for the first 30 days they are listed. MCDA's ability to hold houses before the initial 30 days have passed derives from a special relationship it has formed with HUD. MCDA also "buys" properties from HUD that have been on HUD's list for more than a year that HUD decides to sell for $1. These properties are usually slated for demolition. Earl Pettiford at MCDA insists that HUD rules require MCDA to respond within 10 days to HUD's offer to sell properties to them.

2. MCDA makes a decision about the disposition of the property.

Once MCDA becomes aware of an available or potentially available property, it makes an in-house decision about its disposition. According to Earl Pettiford, these decisions are made collaboratively within his department; there is no formal decision-making procedure. The decision takes place within the Housing Development Department of the Housing Division. As Manager of the Housing Development Department, Mr. Pettiford is instrumental in determining MCDA's plan for the property.

The fundamental decision is whether to acquire or not acquire the property. There are no formal criteria for determining whether to acquire, but an important element of the decision is the potential resale value of the property less the estimated costs of preparing the property for sale. Quite often, the estimated costs of preparing the property for sale exceed the probable market value of the property. When preparation costs exceed the resale value of the house, the difference in costs and resale value is called the **gap subsidy**. Thus,

Sales Price of the Property - Costs of Preparing the Property = Gap Subsidy.

Typically, then, MCDA is considering the estimated benefits of a gap subsidy invested in a particular house.

City of Minneapolis Real Estate Advisory Board

Contact: Bill Carter,
Mayor's Public Affairs Office
673.2009

- 12 members: 11 appointed by City Council, 1 appointed by MPLS Area Association of Realtors.
- Meets monthly: 2nd Tuesday of the month from 8:30-10:00 AM at MCDA offices in Crown Roller Mill building.
- Works with neighborhoods to market neighborhood to realtors

At this point, there are two distinct issues to consider. First, the estimated gap subsidy is based on a squishy foundation of subjective and objective valuations of the potential market value of the property and the costs required to get the property on the market. Estimating the potential market value of a property is not an exact science, and according to Mr. Pettiford, his department relies on their 20-year experience in housing development, the expertise of individuals like Duane Fisher, Executive Vice President at the Greater Minneapolis Metropolitan Housing Corporation (GMMHC) and Paul Sigurdson at Coldwell Banker, which markets some of GMMHC's houses, and the City of Minneapolis Real Estate Advisory Board. According to several sources, no systematic knowledge of inner-city housing preferences exists. George Garnett contends that MCDA simply developed its preferences through a process of trial and error. Estimates of the future value of a house are often based on the recent sale prices of similar houses in the immediate vicinity. Thus, potential values can vary significantly depending on which houses are chosen to compare to the house in question. While the potential market value of the property is necessarily inexact, the figure is critically important to the decision about the property's disposition. The market value of the house is a key variable in the gap subsidy equation, and a low or high market value estimate will distort this key figure used in the decision.

Similarly, the costs of preparing a property for sale are based on many, more or less, subjective estimates. The less subjective elements of the estimates have to do with acquisition, demolition and construction costs. The acquisition cost of a property may be negotiated, but usually the range in which a negotiated price might settle is narrow. Moreover, any costs that MCDA might incur as a result of acquiring the property are known to the Agency. The demolition cost of a house varies somewhat, but the Department of Inspections estimates the average cost to demolish a single-family residence at $9000. This figure is used widely. The actual construction costs are relatively well-established as well. Inspections, MCDA and non-profit housing developers base their costs on the going rate among licensed contractors. According to Jim Edin at Inspections, Inspections personnel typically have contractor experience and know what a licensed contractor will charge for certain repairs/replacements. The cost of building a new house on a lot would be fixed by the contractors as well.

The more subjective elements of the estimate of costs have to do with the determination of what should be built or rebuilt. This is true particularly in the case of rehabilitation, where rehabilitation standards may vary significantly. Any house that is condemned by the City must be repaired to meet minimum City Housing Maintenance Code Requirements before it can be reoccupied. Generally speaking, these minimum standards are lower or less extensive than the standards of MCDA's rehabilitation programs. Since much of MCDA rehabilitation funding comes from the federal government, particularly through the Community Development Block Grant (CDBG) program, there are usually minimum federal rehabilitation and new construction requirements attached to MCDA-funded projects as well. Again, these requirements generally do not meet the rehabilitation expectations of MCDA. Until 1997, MCDA managed four primary rehabilitation programs:

- Rehabilitation Incentive Fund (RIF)
- Home Ownership Works (HOW),
- Urban Homestead
- HUD Home program

Rehabilitation standards under RIF, which was replaced in 1997 by the Rehabilitation Support Program (RSP), were considered more exacting than under HOW. (See appendix for RIF and HOW rehabilitation standards.) HOW standards are too extensive to list here, but some of the more expensive frequently required items include full basements, new kitchen cabinetry, 2-car garages, new water heaters, and new furnaces.

MCDA requires these rehabilitation standards for two stated reasons:

1) potential liability
2) desire to create long-lived housing for low- to moderate-income homeowners

MCDA thinks of liability in two ways: legal and political. There is a concern among MCDA staff that the city and MCDA might be sued by a purchaser of an MCDA-rehabilitated house if something should fail or fall apart in the house. Bruce Gritters, an attorney with the City Attorney's office assigned to MCDA, could not recall in the four years he had worked with MCDA an occasion where MCDA was sued over a single-family rehabilitation project. Nevertheless, he could see why MCDA might be reasonably worried about such a lawsuit. Perhaps more potent is the concern over political liability. MCDA staff feel vulnerable to public criticism and sensitive to the pressure that might be brought upon them by the City Council, their Board of Commissioners. MCDA seeks to avoid negative publicity, especially in the form of constituent complaints to the City Council. Several years ago, MCDA and the City received intense criticism over the subsidization of an elevator in a house rehabilitated for people with disabilities. The RIF standards now include an explicit refusal to pay for elevators used for the disabled. MCDA also maintains that it is their desire to place new home buyers into homes that do not require significant further investment. They argue that low- to moderate-income home buyers are often inexperienced homeowners who do not have the resources to make expensive repairs to their homes. MCDA would like their homes to be free of large-ticket maintenance costs for approximately ten years after their sale. Rehabilitation costs, while bounded ultimately by minimum city and federal rules, are primarily the construct of MCDA's expectations and beliefs about the market for housing, the needs of first-time low- to moderate income home buyers and MCDA's survival.

Residents who object to MCDA's rehabilitation standards do not object to their goals so much as the assumptions and way in which MCDA makes its estimates. MCDA assumes, for example, that if a house lies unheated through a Minnesota winter, the interior plaster is compromised and needs to be replaced. If the basement is damp or leaky, the area around the basement needs to be excavated and drain tile put in, and if the basement walls are cracked they will probably need to be replaced. Generally, MCDA has a low tolerance for uncertainty in the state of repair of a house, which tends to produce in the Agency relatively expensive rehabilitation estimates. MCDA's inflated estimates, as a consequence, raise the level of expected gap subsidy for rehabilitation, which, in turn, strengthens the case for demolition and rebuild over rehabilitation. Residents who criticize MCDA's rehabilitation standards argue that on a house-by-house basis, satisfactory rehabilitation can be accomplished without meeting the extensive criteria of MCDA's programs. Leaky limestone basements can be tuck pointed, some fixtures are "grand fathered" and need not meet modern code requirements, some buyers prefer old cabinetry and fixtures over new replacements, walls and ceilings can be repaired rather than gutted and replaced.

The second distinct issue to consider is that there are no formal decision-making rules about when a gap subsidy is warranted or excessive. The City has stipulated that any gap subsidy over $45,000, whether it comes from MCDA funds or Neighborhood Revitalization Program (NRP) funds, must be approved by the City Council. The question of the quality of a gap subsidy is not its size, however, but rather its effect. Harry Jensen at the Lyndale Development Corporation argues that rehabilitation often requires well in excess of $45,000 in gap financing, but that such investment can be very sound if made in the right house. This argument is echoed throughout the neighborhoods. In Central, residents point to the restoration of several Healy houses, a costly project which they maintain has raised the value of surrounding property and has attracted investment in the neighborhood. Residents argue that investment in rehabilitation can preserve The character of their neighborhoods and that it is this "character" which attracts people into the central city. Strategic investments in specific houses can stabilize The values of surrounding houses and have a ripple effect in the form of private investment in the immediate vicinity.

Table 6: MCDA Construction/Demolition/Rehabilitation of Single-Family Housing; 1994-96 (in units unless otherwise indicated)

	Demolition	Rehabilitation	New	Acquisitions
1994	115	37		197
1995	118	37	100	276
1996	153	23	44	245
1996 as % of 1995	130%	62%	44%	

Source: Minneapolis City Council Operating Committee Minutes

MCDA, in general, is more pessimistic about the ripple effects of rehabilitation. According to George Garnett, MCDA, and its predecessor MHRA, tried rehabilitation for a decade in the 1970's and 1980's and concluded that it did not work. MCDA argues that it can provide more housing and housing that people want with limited tax dollars if it demolishes dilapidated houses and rebuilds. Not all old houses were built well, argues Earl Pettiford. Investment in older houses is very often unsound use of public funds, he maintains. If MCDA has a bias in favor of demolition over rehabilitation, it is arguable that it follows closely The expectations established by the City Council. According to the City code, it is the general rule that if the property costs more to rehabilitate than demolish, then it should be demolished. According to Inspections' Jim Edin, it is easy to exceed $9000 with a "windshield" inspection.

Leaving aside the question of what amount of gap subsidy is desirable, it remains a question whether new construction is actually less costly to the public than rehabilitation. MCDA has a close relationship with the Greater Minneapolis Metropolitan Housing Corporation (GMMHC), which bundles together public and private (usually foundation) monies to finance new construction of dwellings. GMMHC has built over a thousand houses in the Twin Cities over the past 20 years, and because of the volume of its building activities and non-profit status, can build houses relatively inexpensively. GMMHC is a partner with MCDA in the Century Homes program, wherein GMMHC plans to build 100 houses in Minneapolis over five years. A breakdown of the costs of building a GMMHC Century Homes house follows.

When the Housing Division of MCDA makes a decision about the disposition of a property, MCDA is required to inform the relevant neighborhood and the neighborhood has 45 days to review. If the neighborhood agrees, MCDA will continue with its recommended course of action. If the neighborhood disagrees, MCDA and the neighborhood either negotiate an agreement or the issue is brought before the Board of Governors (City Council). The Board of Governors has the final word. Issues brought before the Board are not decided habitually in favor of MCDA. Minutes of 1996-7 Operating Committee meetings reveal that neighborhoods were almost always successful in getting their way at this level.

Figure 2:

AVERAGE COSTS OF FINANCING GREATER MINNEAPOLIS METROPOLITAN HOUSING CORPORATION (GMMHC) CENTURY HOMES SINGLE-FAMILY HOUSING PROJECTS

ITEM	AVERAGE COST	PAID BY
Construction	$105,000	GMMHC
Administration (Fees, Insurance, etc.)	$15,000	GMMHC
Total	$120,000	GMMHC
Sales Price	$90,000	HOME BUYER/ MCDA/GMMHC
Gap Subsidy	$30,000	GMMHC (50%) MCDA (50%)
Site Acquisition	$0-10,000	MCDA
Demolition	$0- 9000	MCDA
Total Subsidy	$30,000-49,000*	MCDA/GMMHC

**This figure does not include financing subsidies, provided by MCDA and GMMHC, which are available to most home buyers. Home buyers may qualify for primary mortgages at reduced interest rates, up to $15,000 in deferred loans from GMMHC forgiven after 5 years, down payment grants which the grantee must repay by doing volunteer work, and other assistance loans.*

Compiled from figures provided by GMMHC and MCDA.

How the Money Flows In

Total projected revenue for MCDA in 1997 is $184, 738, 116. Of that total, $50, 422, 911 is projected to come from Tax Increment Financing (TIF), including the funds earmarked for NRP. A breakdown of projected MCDA revenue provided by MCDA is detailed below:

Projected Revenue for MCDA: 1997

Code	Line Item	Dollar Amount	Code	Line Item	Dollar Amount
3015	Taxes	50, 422, 911	3735	Loan Recapture	3, 594, 531
3210	Federal Grants	13, 678, 965	3755	Other Revenue	6, 290, 377
3215	State Grants	2, 232, 990	3810	Trans. from City General Fund	100, 000
3325	Development Fees	414, 000	3815	Trans from MCDA General Fund	0
3335	Loan Origination Fees	1, 327, 771	3820	Trans from Special Revolving Funds	9, 633, 754
3385	Overhead Charges	3, 895, 584	3825	Trans within Special Revolving Funds	0
3395	Parking Ramp Lot Fees	1, 015, 000	3830	Trans fr/Debt Serv Funds	933, 000
3455	Other Services	780, 913	3825	Trans w/ Spec Rev Funds	500, 000
3485	Sale of Land/Buildings	7, 335, 000	3840	Trans from Proj Funds	47, 802, 110
3680	Interest	2, 491, 948	3845	Trans w/ Cap Proj Fnd	28, 470, 574
3715	Rental Income	3, 798, 688	3720	Contrib. from Priv Sources	20, 000
				Total Revenue	**$184, 738, 116**

Federal Grants

The major continuing grants include the Community Development Block Grants (CDBG) ($10,263, 361 in 1997) , the HOME program, and the Home ownership Opportunities for People Everywhere (HOPE III) program. HOPE III funds are used primarily to purchase HUD houses.

State Grants and Loan Programs

Urban Revitalization Action Grant Program (URAP):

Used for the removal of blight, construction or rehabilitation of housing units, and the creation of new job opportunities within neighborhoods designated in the revitalization program. URAP funds are matched by City funds on at least a one-to-one basis in each URAP area.

MHFA Rehabilitation Loan Programs:

- Deferred Loan Program: $472,218 has been allocated to the City of Minneapolis for a 2-year phase beginning September 1, 1997. SNHS and NNHS also receive funding through this program. The target areas are set in the loan agreements.

- Emergency and Revolving Loan Program: a pot of money is available upon application by the City.

MHFA Blighted Program: (defunct)

MHFA Fix-Up Loan Program:
$15,000 maximum loan available to homeowners who earn a maximum $46,000 gross annual income. In calendar year 1996, Minneapolis residents took out 166 loans for $1,046,787.

MHFA Community Fix-Up Program:
$25,000 maximum loan available to homeowners with maximum gross annual incomes of $65,875. This program began in 1995 with an allocation of $10,000,000, 50% for the metro area and 50% for The outstate area. Lenders apply for The funds and form partnerships with community organizations. Non-profits cannot access this money but MCDA can. Another $10,000,000 has been appropriated for 1997-99.

MHFA Community Rehabilitation Program:
Equity participation loans for new construction or rehabilitation. $830,000 was allocated to Minneapolis for 1996.

Enterprise Funds

Housing Ownership Program Fund: MCDA has issued $56,309,000 (1995 audit) in revenue bonds in support of a low-interest home mortgage program. Of this amount, $33,334,000 was used to refinance The prior debt used to support this home mortgage program. The bonds are secured by mortgages on The properties and by default reserves.

Local Loan and Grant Program Fund: The City, on behalf of MCDA, issued $4,450,000 (1995 audit) of general obligation funds in support of a low-interest local home improvement program.

Home Ownership and Renovation Program Fund: The City, on behalf of MCDA, has issued $22,500,000 (1995 audit) of general obligation bonds in support of a program to provide low-interest financing to first-time home buyers and persons desiring to rehabilitate existing homes and occupy them.

MCDA has signed a letter of understanding with The Local Initiatives Support Corporation (LISC). MCDA will be able to receive up to $750,000 in matching funds from LISC.

How the Money Flows Out

Loan Programs
MCDA Residential Finance Contact: Larry Walker, Director; 673.5287

There are a great many home purchase and home improvement loans. The programs usually match up with a specific source of revenue, thus producing a wide range of programs.

Home Improvement Loans

- Basic Home Improvement Loans: Loans up to $15,000; maximum income: $46,000
- Community Fix-Up Loans: Loans up to $25,000 for homeowners in targeted neighborhoods; maximum income: $65,895
- Deferred Rehabilitation Loans: Loans up to $15,000 not to paid back unless owner sells within seven years; maximum income: $27,000
- Minneapolis Home Repair Loans: Loans up to $15,000 for homeowners with equity who do not qualify under basic home improvement guidelines; maximum income: $27,000
- City Code Abatement Loans: Loans up to $8,000
- Energy Improvement Loans: Loans up to $5,000
- Accessibility Deferred Loans: Loans up to $10,000; maximum income: $18,000
- "This Old House": Deferred property taxes on increase in market value of The home after improvements

Home Ownership Loans

- Home Mortgage and Renovation Program: Below-market-rate mortgage loans to purchase, purchase-rehab or refinance/rehab a home valued at $189,090 or less; maximum income: $100,275. (A total of 98 loans in 1996)
- Minneapolis Employee Mortgage Program: A deferred loan to cover closing costs, improvements or to lower interest rate; maximum income: $100,275. (A total of 44 loans in 1996.)
- Purchase/Rehabilitation Loans: mortgage loans for home buyers to purchase and rehab; maximum income: $100,275
- Refinance/Rehabilitation Loans: mortgage refinance to bring house to City Code standards; maximum income: $100,275
- Closing Cost Loans: deferred loan to pay up to $3,000 in closing costs; maximum income: $45,000

- Equity Participation Loans: deferred purchase loan for home buyers with dependent children; maximum income: $45,840

Home Buying and Rehabilitation Programs

- Home Ownership Works (HOW) Program: First-time home buyers may purchase recently rehabbed homes at below-market interest rates. Participants may qualify for mortgage loans. Income guidelines based on family size. Under the first round of a 1993 HOPE III grant, twenty (20) HOW homes were built by MCDA. Of that 20, eight (8) were built in Willard-Hay, three (3) were built in Central, three (3) in Jordan, one (1) in Camden, one (1) in Corcoran, one (1) in Phillips, and two (2) in Near-North. (Keith Schlecter, HOW Program officer) 28 houses under the HOW program were sold in 1996.

- Century Homes Program: Begun in 1984, a five-year program with The Greater Minneapolis Metropolitan Housing Corporation (GMMHC) to construct 100 houses a year. Funding for The program was provided by McKnight ($500,000), General Mills ($350,000) and MCDA ($850,000) in addition to acquisition and demolition costs. GMMHC must match funder support for each project. The borders for the Century Homes target area are, roughly, Dowling Street on the North and 40th Street on the South.

- Rehabilitation Incentive Fund (RIF) Program: This program was not funded in 1997 and will likely be replaced by a new program, The Rehab Support Program (RSP). The program is essentially gap financing for acquisition, rehabilitation, interim property management, hazard insurance, and consultant fees for construction management and financing. RSP will be limited to concentrated treatment areas (CTA's). The CTA's were and will be identified as "transitional areas" adjacent to neighborhoods with stable or rising market values or key 'amenity pocket' areas within distressed neighborhoods. An interim program has begun, and RSP has been allocated $1,271,000 in CDBG funds. The MCDA plans to conduct a neighborhood by neighborhood trend analysis to determine which areas will be proposed as the first concentrated treatment areas. (Rebecca Yannish, "Report to the Commissioners", June 30, 1997)

- Urban Homestead Program: First-time home buyers with incomes between $18,000 and $48,000 may enter a lottery to buy and rehab a home with a $750 down payment.

- State Tax Break Programs: Home buyers who purchase houses in designated areas can receive deductions on state income taxes.

Neighborhood Revitalization Program (NRP)

According to Bob Cooper at MCDA, in the early 1980's the City decided to extend the life of certain Tax Increment Financing (TIF) Districts that were set to expire. The TIF districts were extended another 10 years and the tax increment generated became "new" program funds to be spent largely through the NRP. The TIF typically generates about $16 million year. MCDA provides an additional $4M/year gap subsidy to NRP. Of that revenue, 7.5% goes to the county and 7.5% goes to the school district for their own purposes. Both the county and the school district each receive another 7.5% which they are supposed to spend on projects that fit within neighborhood plans. In practice, the latter 15% money is required to be spent on "neighborhood" projects/programs that may or may not be part of a neighborhood plan. Approval of expenditures of the latter 15% money occurs at the Community Development Committee.

According to Cooper, the four 7.5% payments were established to secure county and school district support for the extended TIF districts, because both jurisdictions stood to lose tax revenue as a result of that extension. The TIF revenue can be used throughout the city because the entire city was declared a development area. Because of the use of the TIF mechanism, the state became involved and wrote an overarching framework for The NRP program. NRP is three years ahead now in allocations. Allocations now amount to around $60 Million.

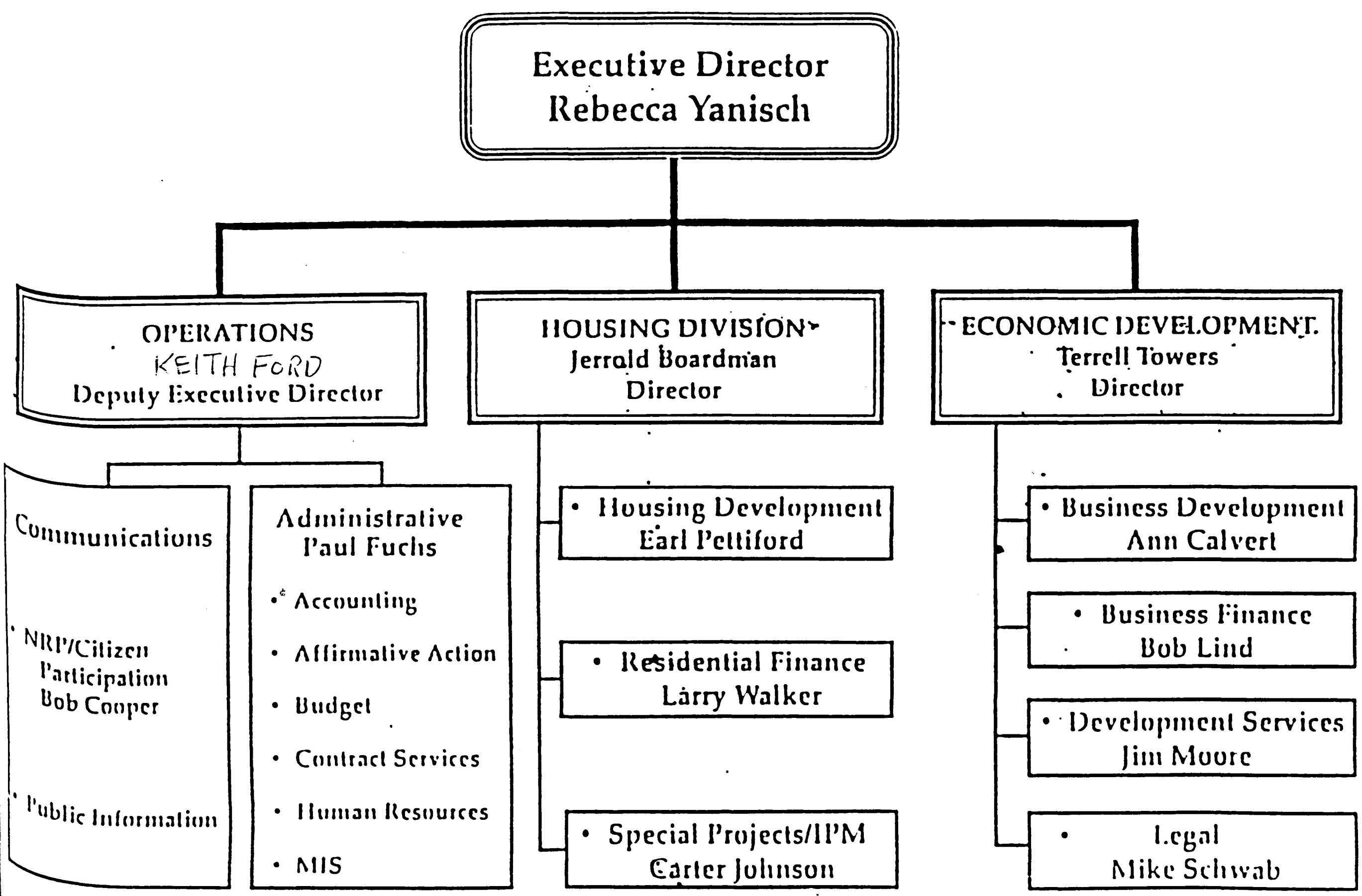
NRP resides at MCDA but is formally independent of MCDA. In fact, both NRP and MCDA are not city departments and their employees are not technically city employees. NRP is a "joint powers" entity, which may limit its power to enter into contracts. According to MCDA officials, NRP coordinates while MCDA implements neighborhood plans. NRP does not enter into contracts (although it is unclear whether NRP is prohibited from doing so) nor does it spend money. Instead, contracts are drawn between MCDA and the provider of the service to the neighborhood, e.g. public works, the parks department, Southside Neighborhood Housing Services. Contracts must be reviewed by legal counsel to make sure they fall within the "intent of the law". MCDA receives a 7% administrative fee if it administrates the contract directly. Because MCDA staff charge staff time back to projects, MCDA prefers to be the direct implementer. MCDA employee unions, according to Cooper, also apply pressure for direct implementation, because outside implementation is competition for them.

While Jerry Boardman and other MCDA officials contend that MCDA does not determine how NRP funds will be spent, MCDA's ability to influence and interest in influencing NRP spending is evident. There is some feeling both within and outside MCDA that NRP is using MCDA, not neighborhood, funds. George Garnett contends that the allocation of downtown TIF funds to NRP gutted MCDA's revenue. While MCDA officials like Boardman stop short of suggesting that they interfere in NRP decision-making, they do refer periodically to their role as administrators of public money. They are charged, they argue, with the responsibility of ensuring that public monies are spent well. In seeking contracts for NRP projects, for example, MCDA will find service providers who are experts and who are reliable. If a neighborhood wishes to have a house sold to a non-profit developer and then rehabbed with NRP money, MCDA may recommend to the Board that a sale not be made for that purpose. Because of their control over contracts and the "checkbook", MCDA has the ability to influence NRP decision-making. Because of their self-image as guardians of the public fisc and probably because of a legitimate belief in the strength of their model of housing development, they have an interest in influencing NRP decision-making. According to Garnett, MCDA seemed like a natural choice for an agency to oversee NRP.

Without specific guidelines from the NRP policy board, says Cooper, NRP will follow the guidelines produced by the "experts", often city jurisdictions like MCDA. NRP and MCDA now have an acquisitions and dispositions policy. There must be an appraisal of a property before it is purchased, for example. If the neighborhood wants to purchase a house for more than its market value, it must follow prescribed rules. If conflicts arise between neighborhoods and NRP/MCDA, there is now a formal conflict resolution process. However, the director of NRP, Bob Miller usually attempts to resolve the conflicts informally.

APPENDIX A

MCDA ORGANIZATIONAL CHART



APPENDIX B

HOME OWNERSHIP WORKS STANDARDS FOR REHAB

BASEMENT

1. Properties should have full basements and be on buildable lots.
2. Basements should not have obvious water infiltration problems.
3. Basement floors shall be concrete and in good condition.
4. Minimum headroom 6'-0".
5. Replace hazardous or unserviceable stairways where possible. Basement walls should be free of scaling or spauling material.

PLUMBING

1. Replace all existing iron water services.
2. Replace all existing iron water supply piping.
3. Laundry facilities should be provided somewhere in the building.
4. Provide at least one outside sill cock.
5. Replace all water heaters over 5 years old.
6. Sewer systems should be individual and separate from adjacent buildings.
7. Replacement tubs should be either cast iron or fiberglass tub enclosures, no steel tubs.
8. A shower, either as part of a tub enclosure or a separate unit, should be provided.
9. Rod out sewer line to main.

HEATING & VENTILATION

1. Replace any furnace or boiler over 15 years of age. Replacement units shall be a minimum of 80% efficient.
2. If a heating plant is to be retained, the developer must have a licensed heating contractor check, service and certify that the heating plant is in proper working order with an external air supply.
3. Bathroom fans, should be installed and vented to outside in all bathrooms.

ELECTRIC

1. Provide a minimum of 100 amp service to each unit.
2. Wire dwelling to electrical code.
3. Provide at least one exterior outlet.
4. Provide a door bell or chime for the :rent entry.
5. Provide a telephone jack in kitchen area.

6. Provide smoke detection system as required by Code.

INSULATION

1. If rim joist is accessible, insulate to 4-19.
2. Insulate ceilings/attic to R-44.
3. If sidewall framing is exposed, insulate to R-13 with a 6 mil poly vapor barrier.

WINDOWS

1. All windows must be double glazed with either a prime unit and a storm window or insulated glass and a full screen.
2. Double hung windows - all sash units to be removed, and replaced with new sash and full tilt jamb liner.
3. All other windows to be adjusted, weather stripped and made weather tight.
4. Existing storms may be used if serviceable.
5. Provide lifts and locks for all windows.

DOORS

1. Provide a storm door for each outside entry door, or a screen door if the prime door is insulated.

TRIM

1. When replacing, match existing as much as possible.
2. No embossed millwork allowed.

DECORATING

1. All wallpaper must be removed. No painting or spray texturing over existing wallpaper.
2. No spray textured ceilings in the kitchens or bathrooms.

CABINETS

1. Replace cabinets must be Rosebud, Regal or approved equal.

FINISH FLOORING

1. Carpet - FHA 32 oz. fiber backed over 3/8" pad minimum standard.
2. Vinyl sheet goods to be Tarquette "Style Brite" or an approved equal.

SPECIAL WALLS

1. If new ceramic tile is used in the tub area, the first 18" above the tub must be Wonder Board or concrete.

EXTERIOR WALLS

1. Retention of existing siding shall be on a case by case basis with the MCDA reserving the right to the final decision.
2. Where existing siding is retained, the developer shall warrant the paint job for 2 years after completion.
3. All painted stucco shall be sandblasted and redashed.
4. Aluminum or vinyl siding may be installed over existing where feasible.
5. When aluminum cover-all is used include window wells and blindstops.

ROOF1NG

1. Replace any asphalt shingled roof over 10 years of age or in a deteriorated condition.
2. Roofing shall be 240*, self sealing, 3 tab, strip shingles, or built up roofing. Starter strip shall comply with Minneapolis City Code.
3. Where sheathing is required, 1/2" CDX plywood or Oxboard shall be used.
4. When the roof is replaced all the roof caps and flashings shall be replaced.

SITE WORK

1. Remove all foundation growth and outlaw brush.
2. Seed yard as needed.
3. Provide fill and raise grade around the foundation to provide proper drainage. Install window wells if necessary.
4. Replace all deteriorated and hazardous service walks and steps. Existing garages in a deteriorated condition that will not be treated should be removed.
5. Provide an off-street bituminous or concrete parking pad suitable far two cars.
6. Provide a minimum 2" wide service walk from the dwelling to the parking pad.
7. Existing fences in a deteriorated condition that will not be treated will be removed.

MISCELLANEOUS

- Construction Manager/Contractor will furnish the MCDA with abatement releases from the Inspection Department before a final payment is made.

Provided by the MCDA Home Ownership Works program.

APPENDIX C

IDEAL TIMELINE FOR DEMOLITION OF HOUSE ON THE 249 LIST

Based on the 249 ordinance, the shortest time period for a building to be on the list would be approximately 165 days. The timing would be as follows:

a) 60 days of allowable boarding time based on ordinance;
b) Approximately 45 days needed to notify all interested parties and schedule the Public and Regulatory Services Committee Meeting;

1) City of Minneapolis Department of Inspections Rehab assessment;
2) Zoning, Comprehensive Land Use, Historic Significance and Housing need analysis;
3) MCDA market analysis;
4) Neighborhood Group impact statement;
5) Property owners impact statement;
6) Notice to Owner and or Mortgage Companies etc.;
7) Publishing in the Finance and Commerce for 3 weeks;
8) Title Search;

c) Approximately 60 days needed to complete the process for demolition;

1) Full Minneapolis City Council action;
2) Signature by Mayor;
3) Published in the Finance and Commerce;
4) Forwarded to the Purchasing Department for bid letting;
5) Awarding contract;
6) 10 day waiting period required by State for minimum amount of asbestos;
7) Abatement for pests and rodents per Health Department;
8) Sewer disconnection;
9) Issuance of wrecking permit;
10) Lot is seeded and permit completed.

Compiled by Lynn Ogren, Minneapolis Department of Inspections.

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